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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 002355

SIPDIS

STATE FOR WHA/CEN, WHA/EPSC AND EB
PASS TO USTR FOR ANDREA GASH DURKIN

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TAGS: [ETRD](#) [EAGR](#) [ECON](#) [ELAB](#) [PREL](#) [HO](#) [WTO](#)

SUBJECT: HONDURAN VIEWS OF WTO CANCUN MINISTERIAL

REF: A. (A) STATE 268181

[1B.](#) (B) STATE 270764

[1C.](#) (C) STATE 257469

Classified By: Ambassador L. Palmer for reasons 1.5(B) and (D)

Summary

[11.](#) (C) In the wake of the breakdown of the Doha agenda negotiations at the Cancun WTO ministerial, Honduran officials seemed most interested in the impact on the agricultural talks in the Central America Free Trade Agreement (CAFTA) negotiations. The GOH will now push strongly in the CAFTA talks for special safeguards or continued tariff protection for products that receive U.S. export subsidies and/or domestic supports. GOH trade officials also are very keen to understand how Brazil's leadership role in the G-20 plus group (called G-21 or G-23 here) will affect USG strategy in the Free Trade Agreement of the Americas (FTAA). Within the Doha (DDA) negotiations, Honduras is seeking a certain form of special and differentiated treatment in the agricultural tariff reductions. Honduras steered clear of being drawn into the G-21 during Cancun. To the extent that USG negotiators can be responsive to its approach, Honduras may become an ally for constructive and ambitious DDA agricultural negotiations.

End Summary.

Cancun May Make the CAFTA Agriculture Talks Easier

[12.](#) (C) Honduran Trade Policy Director and chief CAFTA negotiator Melvyn Redondo went straight to the Managua round of the CAFTA negotiations directly from Cancun with one question for the USDEL: How is the USG going to respond to Central American concerns about U.S. agricultural subsidies and domestic supports in the CAFTA "now that it is clear that there will be no reductions agreed to in the WTO?" Negotiations over a limited agricultural safeguard are now seen as a potential answer to that question. Comment: Thus, from one point of view, it appears that the Cancun developments may make it easier to reach agreement on agriculture in the Central American talks. End Comment.

But What Does It Mean for FTAA?

[13.](#) (SBU) EconOffs met with Minister of Industry and Trade Norman Garcia and Redondo on September 30. They delivered Ambassador Zoellick's Financial Times op ed piece on Cancun and the CAFTA Labor Track II demarche as requested in refs b and c. Garcia asked about the USG's strategy for moving the FTAA negotiations along. EconCouns reiterated the USG's commitment to pursuing an FTAA on the established timeframe.

Honduras' Objectives in the WTO

[14.](#) (SBU) Going into Cancun, the GOH's key objective for the Ministerial was to fight for special and differentiated treatment, vis-a-vis agricultural tariff reduction, for developing countries like Honduras that already have relatively low bound and applied tariffs. In a September 5 meeting with EconCouns, Redondo said that the number of developing countries with similar tariff structures was very small and mentioned Sri Lanka as an example. He added that Honduras would not be required to cut industrial tariffs because of its income level. After Cancun, Garcia and Redondo seemed a bit bemused by their Central American colleagues' involvement in the G-21 and a bit glum that their "good behavior" hadn't been recognized (this was a dig at the fact that USTR Zoellick is not visiting Honduras in his early October trip to the region).

[15.](#) (C) Comment: The GOH's trade team is very thin, and CAFTA has been the focal point of its trade policy this year. In any case, Honduran trade policy in the WTO is typically very

narrowly focused. In Doha, for example, Honduras' prime focus was to maintain and expand the country's exception for free trade zones under Article 7 of the Subsidies Agreement. In the DDA negotiations themselves, the key objective has now shifted to protection from further tariff reduction on approximately 20 categories of "strategic" and "sensitive" agricultural products, in recognition of Honduras' relatively modest tariff levels compared to other developing countries. If the USG is able to be responsive to this approach, Honduras may become an ally for constructive and ambitious DDA agricultural negotiations. End Comment.

Palmer